

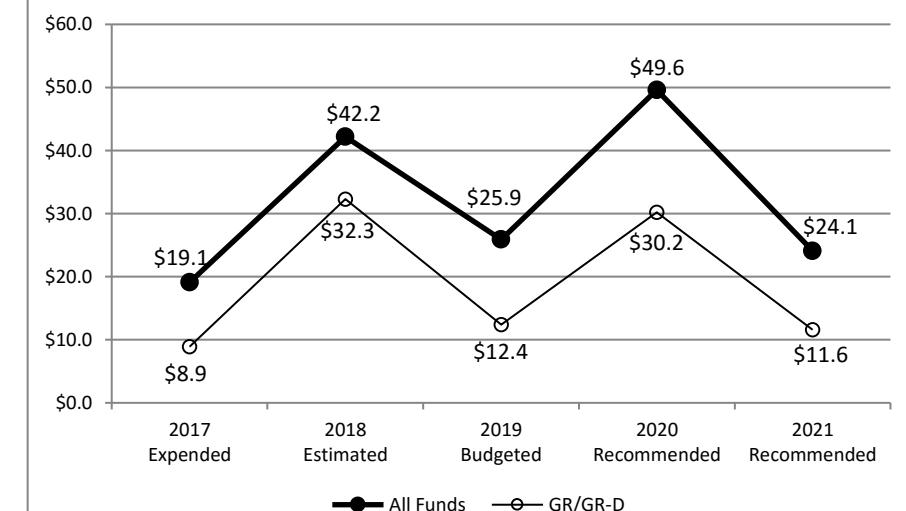
**Secretary of State
Summary of Recommendations - Senate**

Page I-92

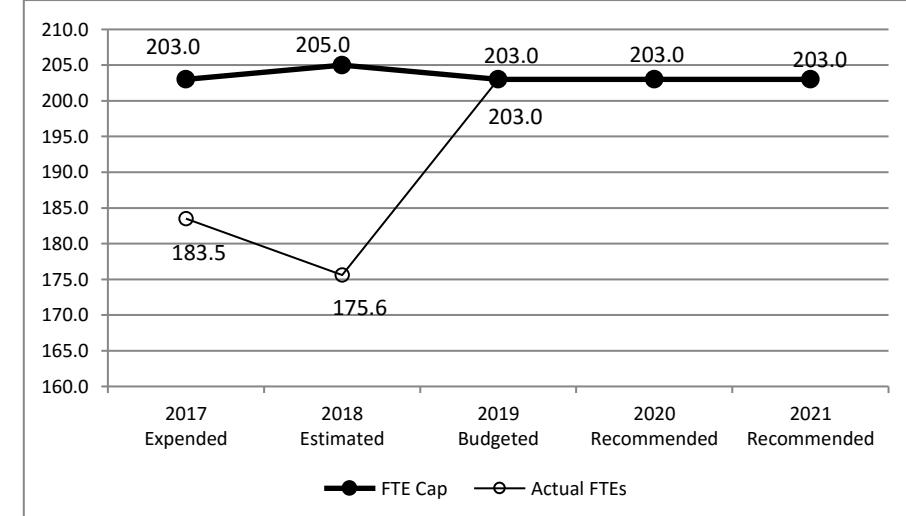
David Whitley, Secretary of State
John Montgomery, LBB Analyst

| Method of Financing | 2018-19 Base | 2020-21 Recommended | Biennial Change (\$) | Biennial Change (%) |
|-------------------------------|-------------------------|--------------------------------|---------------------------------|--------------------------------|
| General Revenue Funds | \$43,885,038 | \$41,440,023 | (\$2,445,015) | (5.6%) |
| GR Dedicated Funds | \$772,280 | \$313,000 | (\$459,280) | (59.5%) |
| Total GR-Related Funds | \$44,657,318 | \$41,753,023 | (\$2,904,295) | (6.5%) |
| Federal Funds | \$7,607,674 | \$15,781,229 | \$8,173,555 | 107.4% |
| Other | \$15,824,174 | \$16,169,000 | \$344,826 | 2.2% |
| All Funds | \$68,089,166 | \$73,703,252 | \$5,614,086 | 8.2% |

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

**Secretary of State
Summary of Funding Changes and Recommendations - Senate**

| Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions) | | General Revenue | GR-Dedicated | Federal Funds | Other Funds | All Funds | Strategy in Appendix A |
|---|--|------------------------|---------------------|----------------------|--------------------|------------------|-------------------------------|
| <i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i> | | | | | | | |
| A) | Increase in General Revenue to provide a 5 percent state match and increase in Federal Funds due to a 2018 Help America Vote Act (HAVA) grant award. | \$1.2 | \$0.0 | \$8.2 | \$0.0 | \$9.3 | B.1.4. |
| B) | Decrease in GR-D 5095 Election Improvement Fund due to diminishing interest earned on orginal HAVA grant. | \$0.0 | (\$0.5) | \$0.0 | \$0.0 | (\$0.5) | B.1.4. |
| <i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i> | | | | | | | |
| C) | Decrease in General Revenue funds for Primary Election reimbursements to counties due to 2016-17 unexpended and unobligated balances carried into 2018-19. | (\$3.6) | \$0.0 | \$0.0 | \$0.0 | (\$3.6) | B.1.2. |
| D) | Increase in Appropriated Receipts due to collections of business filing and document publishing fees above appropriated amounts. | \$0.0 | \$0.0 | \$0.0 | \$0.3 | \$0.3 | A.1.1. |
| TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions) | | (\$2.4) | (\$0.5) | \$8.2 | \$0.3 | \$5.6 | As Listed |
| SIGNIFICANT & OTHER Funding Increases | | \$1.2 | \$0.0 | \$8.2 | \$0.3 | \$9.7 | As Listed |
| SIGNIFICANT & OTHER Funding Decreases | | (\$3.6) | (\$0.5) | \$0.0 | \$0.0 | (\$4.1) | As Listed |

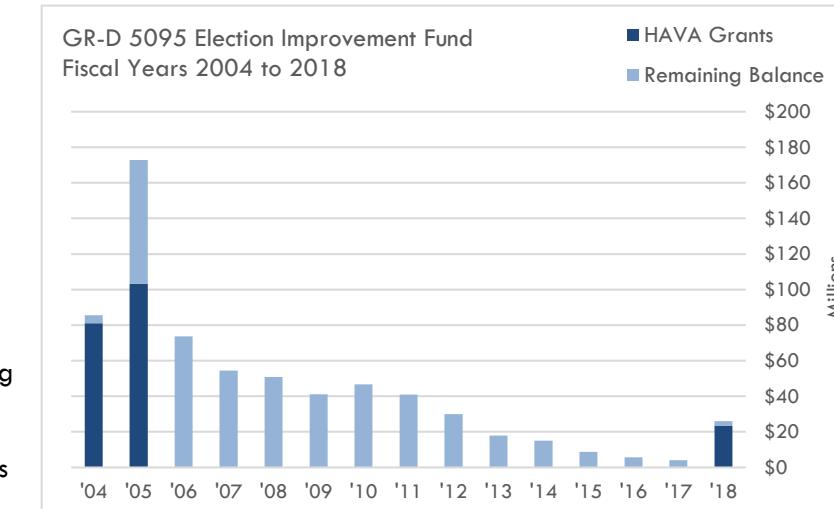
NOTE: Totals may not sum due to rounding.

**Secretary of State
Selected Fiscal and Policy Issues - Senate**

1. Help America Vote Act (HAVA) 2018 Federal Funding.

The original Help America Vote Act (HAVA) was passed by the United States Congress in 2002 in order to assist states with improving federal elections administration. HAVA funds can be used as reimbursements for grants to counties (65-75 percent), voter education (5-10 percent), state plan administration (2-5 percent), and the statewide voter registration system (10-20 percent).

Recommendations include \$1.16 million in General Revenue to provide a 5% state match toward a \$23.3 million HAVA grant awarded to Texas in May of 2018. The match must be made available within 2 years of the grant receipt, and the SOS has submitted a new spending proposal to the United States Elections Assistance Commission. In authorizing the Consolidated Appropriations Act of 2018, Congress specified that the 2018 HAVA funding should be directed towards improving security and increasing the auditability of federal elections. The SOS has set up an agreement to leverage Department of Information Resources cooperative purchasing programs to provide comprehensive security assessments to Texas counties with the 2018 HAVA grant.



The Texas Election Administration Management (TEAM) system is the agency's federally-mandated electronic voter registration database which was funded by the original HAVA grant. Not included in the recommendations is \$1.9 million in General Revenue to continue TEAM maintenance in the 2020-21 biennium. TEAM maintenance has been paid out of GR-D 5095 Election Improvement Fund from interest earned on the original 2002 HAVA funding. This earned interest has diminished over time, and is expected to be fully expended during the 2018-19 biennium.

2. Benefits In Proportion to Methods of Finance.

Article IX, Section 6.08 Benefits Paid Proportional by Method of Finance requires that agencies shall pay benefits proportional to their methods of finance to better align the funding sources for salaries and benefits. Prior to the 2018-19 biennium, SOS paid salaries from Appropriated Receipts earned through Strategy A.1.1. Document Filing and paid for associated benefits with General Revenue. The Comptroller of Public Accounts has since corrected this practice, and the SOS contends that the change removes revenue needed to continue cost recovery operations. Not included in the recommendations is \$2.9 million in General Revenue for 2020-21 to replace Appropriated Receipts benefits payments for the Document Filing strategy.

3. Voter Education Related to Voter Identification.

For fiscal years 2016-17 and 2018-19 the agency was appropriated \$4.0 million in General Revenue to educate the public regarding the required documents for voting and the general voting process. Recommendations continue this level of funding for the 2020-21 biennium.

SOS first launched a Voter Education Campaign in 2006 funded by the Help America Vote Act (HAVA) of 2002. SOS has continued the program for every federal election cycle since 2006 with the amount of campaigns being incrementally decreased due to decreasing federal funds. With the passage of voter identification requirements, the 82nd Legislature added a rider related to Senate Bill 14: Contingency Appropriation for Voter Education: Related to Voter Identification. The agency was appropriated \$2.02 million in GR-D 5095 (interest from 2002 HAVA federal funds) in fiscal year 2012-13 and 2014-15.

4. **Document Filing Revenue Collections.** The SOS is the primary repository for statutorily-required business and corporate filings, which generate revenue through designated fees. The agency manages these transactions through the Business Entity Secured Transaction (BEST) system, which was put into place as a document management system in 2001 and has been expanded to include financial management. The agency's financial and information technology practices, including document filing and revenue collection, were the subject of a State Auditor's Office (SAO) report issued in January of 2019.

Similar to SAO findings in 2005, the January 2019 SAO report found numerous inconsistencies in the SOS' internal accounting and use of BEST. One example is the SOS' inability to reconcile its revenue collections against the Texas Comptroller of Public Accounts' (CPA) Uniform Statewide Accounting System (USAS). State auditors discovered in May of 2018 that the BEST system's overall recorded revenue was \$2.4 million lower than what was found in USAS. The SOS' internal financial management policies are insufficient to determine the origin of this revenue discrepancy.

In its response to the SAO findings, the agency asserts that the BEST system will need to be replaced in order to provide stronger financial controls. The SOS is in the early stages of formulating a BEST replacement strategy, and may request additional planning funding for the 2020-21 biennium. After this initial planning period, the SOS predicts that funding for a full BEST replacement will be requested from the 87th Legislature for the 2022-23 biennium.

**Secretary of State
Rider Highlights - Senate**

Modification of Existing Riders

9. **Senate Bill 14: Contingency Appropriation for Voter Education: Related to Voter Identification.** Recommendations revise this rider to remove the contingency and legislative intent language in response to the United States Court of Appeals for the Fifth Circuit dismissal of remaining claims against Texas' voter identification laws in September of 2018.

New Riders

15. **2018 Help America Vote Act State Matching Funds.** Recommendations add a new rider which would require that \$1,162,630 in General Revenue in strategy B.1.4 Elections Improvement be used during the 2020-21 biennium as a five percent state match toward the federal Help America Vote Act (HAVA) elections security grant received in 2018.

Deleted Riders

15. **TEAM Voter Registration System Maintenance.** Recommendations delete this rider which specifies that \$300,000 in General Revenue for fiscal year 2019 shall be used to supplement the diminishing balance of General Revenue Dedicated 5095 Election Improvement Fund used for the maintenance of the Texas Election Administration Management (TEAM) system.

Secretary of State
Items Not Included in Recommendations - Senate

| | | 2020-21 Biennial Total | | | Information Technology Involved? | Contracting Involved? | Estimated Continued Cost 2022-23 |
|---|--|------------------------|--------------------|------------|----------------------------------|-----------------------|----------------------------------|
| | | GR & GR-D | All Funds | FTEs | | | |
| Agency Exceptional Items Not Included (in agency priority order) | | | | | | | |
| 1) | Restoration of General Revenue base funding for county primary election reimbursements. | \$3,607,245 | \$3,607,245 | 0.0 | No | No | \$0 |
| 2) | General Revenue to plan a replacement of the Business Entity Secured Transaction System. | \$500,000 | \$500,000 | 0.0 | Yes | Yes | Unknown |
| 3) | General Revenue to replace Appropriated Receipts to pay for benefits proportionality. | \$2,850,000 | \$2,850,000 | 0.0 | No | No | \$2,850,000 |
| 4) | Appropriated Receipts authority to replace obsolete PCs, laptops, and printers purchased in 2015. | \$0 | \$300,000 | 0.0 | Yes | No | \$0 |
| 5) | General Revenue for ongoing maintenance of the federally-required Texas Elections Administration Management System. | \$1,900,000 | \$1,900,000 | 0.0 | Yes | Yes | \$3,006,610 |
| 6) | General Revenue and two temporary employees to facilitate CAPPs implementation. | \$200,000 | \$200,000 | 2.0 | No | No | \$0 |
| 7) | General Revenue to facilitate county election security training, including repurposing four field staff for dedicated security training. | \$1,400,000 | \$1,400,000 | 0.0 | No | No | \$1,400,000 |
| 8) | General Revenue to increase county primary election poll worker reimbursement from \$8/hr to \$12/hr. | \$3,000,000 | \$3,000,000 | 0.0 | No | No | \$3,000,000 |
| Agency Requested Rider Revisions Not Included | | | | | | | |
| 9) | New Rider to authorize the transfer of Strategy A.1.1. unexpended balances between biennia. | \$0 | \$0 | 0.0 | No | No | \$0 |
| TOTAL Items Not Included in Recommendations | | \$12,957,645 | \$9,650,000 | 2.0 | | | \$10,256,610 |

**Secretary of State
Appendices - Senate**

| Table of Contents | | |
|--------------------------|--|-------------|
| Appendix | Appendix Title | Page |
| A | Funding Changes and Recommendations by Strategy | 8 |
| B | Summary of Federal Funds | * |
| C | FTE Highlights | 10 |
| D | Performance Measure Highlights | 11 |
| E | Summary of Ten Percent Biennial Base Reduction Options | 12 |

* Appendix is not included - no significant information to report

Secretary of State
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

| Strategy/Goal | 2018-19 Base | 2020-21 Recommended | Biennial Change | % Change | Comments |
|--|-------------------------|--------------------------------|----------------------------|---------------------|---|
| DOCUMENT FILING A.1.1 | \$14,542,832 | \$15,154,196 | \$611,364 | 4.2% | Recommendations reflect an increase of \$348,364 in General Revenue and \$263,000 in Appropriated Receipts due to reallocations from Strategies B.1.1. Elections Administration and D.1.1. Indirect Administration to fill seven vacant positions, provide for digitization of paper records, and to cover an increase in benefits costs. |
| DOCUMENT PUBLISHING A.2.1 | \$927,304 | \$911,300 | (\$16,004) | (1.7%) | Recommendations reflect: 1) A decrease of \$41,004 in General Revenue to balance postage cost estimates in other strategies; and 2) An increase of \$25,000 in Appropriated Receipts due to a reallocation of funds from Strategy A.1.1. for agency operating expenses. |
| Total, Goal A, INFORMATION MANAGEMENT | \$15,470,136 | \$16,065,496 | \$595,360 | 3.8% | |
| ELECTIONS ADMINISTRATION B.1.1 | \$8,555,022 | \$8,449,700 | (\$105,322) | (1.2%) | Recommendations reflect: 1) A decrease of \$327,148 in General Revenue due to a reallocation to Strategy A.1.1. in response to lower travel expenses for election inspectors; and 2) An increase of \$221,826 in Appropriated Receipts to cover the distribution of county-specific voter registration cards. |
| PRIMARY FUNDING/VR POSTAGE B.1.2 | \$15,911,666 | \$12,540,355 | (\$3,371,311) | (21.2%) | Recommendations reflect: 1) A decrease of \$3,607,645 in General Revenue due to the removal of 2016-17 unexpended primary election grant balances from the agency's base request; and 2) An increase of \$236,334 in General Revenue due to increasing postage costs and salary equity adjustments for three positions. |
| CONSTITUTIONAL AMENDMENTS B.1.3 | \$1,182,649 | \$1,238,000 | \$55,351 | 4.7% | Recommendations reflect an increase of \$55,351 in General Revenue due to increased newspaper advertising costs and postage expenses. |

Secretary of State
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

| Strategy/Goal | 2018-19 Base | 2020-21 Recommended | Biennial Change | % Change | Comments |
|--|---------------------|------------------------|--------------------|---------------|--|
| ELECTIONS IMPROVEMENT B.1.4 | \$8,379,954 | \$17,256,859 | \$8,876,905 | 105.9% | Recommendation reflect: 1) An increase of \$8,173,555 in Federal Funds due to the receipt of a 2018 Help America Vote Act (HAVA) grant payment; 2) An increase of \$1,162,630 in General Revenue to provide a 5 percent state match toward the 2018 HAVA grant; and 3) A decrease of \$459,280 in GR-D 5095 Election Improvement Fund due to diminished availability of original 2002 HAVA grant earned interest (See Section 3, Item 1). |
| FINANCING VOTER REGISTRATION B.1.5 | \$5,777,500 | \$5,777,500 | \$0 | 0.0% | |
| Total, Goal B, ADMINISTER ELECTION LAWS | \$39,806,791 | \$45,262,414 | \$5,455,623 | 13.7% | |
| PROTOCOL/BORDER AFFAIRS C.1.1 | \$547,326 | \$561,212 | \$13,886 | 2.5% | Recommendations reflect an increase of \$13,886 in General Revenue due to increased executive travel expenses. |
| COLONIAS INITIATIVES C.1.2 | \$0 | \$0 | \$0 | 0.0% | |
| Total, Goal C, INTERNATIONAL PROTOCOL | \$547,326 | \$561,212 | \$13,886 | 2.5% | |
| INDIRECT ADMINISTRATION D.1.1 | \$12,264,913 | \$11,814,130 | (\$450,783) | (3.7%) | Recommendations reflect a decrease of \$285,783 in General Revenue and \$165,000 in Appropriated Receipts due to a reallocation of funds to Strategy A.1.1. to cover the payment of benefits in proportion to methods of finance (See Section 3, item 2). |
| Total, Goal D, INDIRECT ADMINISTRATION | \$12,264,913 | \$11,814,130 | (\$450,783) | (3.7%) | |
| Grand Total, All Strategies | \$68,089,166 | \$73,703,252 | \$5,614,086 | 8.2% | |

**Secretary of State
FTE Highlights - Senate**

| Full-Time-Equivalent Positions | Expended 2017 | Estimated 2018 | Budgeted 2019 | Recommended 2020 | Recommended 2021 |
|---------------------------------------|--------------------------|---------------------------|--------------------------|-----------------------------|-----------------------------|
| Cap | 203.0 | 205.0 | 203.0 | 203.0 | 203.0 |
| Actual/Budgeted | 183.5 | 185.0 | 203.0 | NA | NA |

Schedule of Exempt Positions (Cap)

| | | | | | |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Secretary of State (Group 5) | \$132,924 | \$132,924 | \$197,415 | \$197,415 | \$197,415 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|

Notes:

- a) In a letter dated December 8, 2018, the Governor authorized a salary of \$197,415 for the Secretary of State effective December 18, 2018. This increase was authorized pursuant to Article IX, Section 3.04(b)(3), SB 1, 85th Legislature, Regular Session.
- b) The SOS attributes ongoing FTE lapses to high turnover rates among staff. These are driven by retirements, as well as employees leaving for higher paying positions in other state agencies.
- c) All funding for SOS Strategy C.1.2. Colonias Initiatives was vetoed as part of the Governor's Veto Proclamation of parts of SB 1, 85th Legislature, Regular Session, 2017. 7.0 FTEs were associated with the funding for this strategy, but were not included in the veto proclamation. Recommendations do not include \$1.4 million in General Revenue to repurpose 4.0 of the 7.0 FTEs for statewide county election security training (see Section 5, item 5).

Secretary of State
Performance Measure Highlights - Senate

| | Expended 2017 | Estimated 2018 | Budgeted 2019 | Recommended 2020 | Recommended 2021 |
|---|------------------|-------------------|------------------|---------------------|---------------------|
| • Number of Requests for Information and Filings Processed | 5,959,700 | 6,424,746 | 6,250,000 | 6,250,000 | 6,250,000 |
| <i>Measure Explanation: The SOS processes statutory filings, including items related to businesses, and responds to external inquiries for information. Demand is driven by external</i> | | | | | |
| • Number of Election Officials Assisted or Advised | 182,327 | 259,545 | 155,000 | 235,000 | 155,000 |
| <i>Measure Explanation: The SOS provides guidance to county and local election officials on the proper conduct of elections, including current Voter ID requirements. The 2018-19 GAA</i> | | | | | |
| • Number of Constitutional Amendment Translations Mailed | 0 | 2,054,937 | 0 | 2,054,937 | 0 |
| <i>Measure Explanation: The SOS is required to report the number of Spanish language translations of proposed amendments to the Texas Constitution mailed to households with</i> | | | | | |

Secretary of State
Summary of Ten Percent Biennial Base Reduction Options Recommendations - Senate

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|-------------------------------------|---|---|----------------------------|--------------------|------------|------------------------|---|-----------------------|------------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 1) | Voter Registration Grants to County Registrars | Texas Election Code Section 19.002 requires the agency to issue grant payments to county voter registrars. To achieve this budget reduction, the statutory reimbursement rates would have to be reduced to by approximately 10 percent. | \$1,062,631 | \$1,062,631 | 0.0 | \$0 | 18% | \$5,777,500 | No |
| 2) | Primary Election Grants to County Political Parties | Election Code Section 173.001 authorizes the agency to reimburse county political parties for the cost of holding primary elections, subject to the availability of appropriations. Statute also authorizes the agency to adopt rules to reduce the cost of primary elections, and grants discretion in the payment of reimbursements. The agency reports distributing \$13.2 million in such reimbursements during fiscal year 2018. | \$834,924 | \$834,924 | 0.0 | \$0 | 6% | \$15,000,000 | No |
| 3) | Operating Expenses | According to the agency, the following reductions would impact its ability to serve elections, business, and legal customers: Travel expenses by approximately \$35,000; Postage/printing/consumables by approximately \$181,950; Computer software and technology licenses by approximately \$112,500; and merit pay and temporary employment opportunities by approximately \$911,632. | \$1,241,082 | \$1,241,082 | 0.0 | \$0 | 4% | \$30,541,972 | No |
| 4) | Administrative and Support FTE | The reduction of 8 FTEs in the agency's administrative and support operations. According to the agency, these reductions would decrease the number of documents that can be filed, increase document turnaround time, impede the creation of new business entities, and slow collection and deposits of revenue. | \$1,249,867 | \$1,249,867 | 8.0 | \$0 | 7% | \$18,117,996 | No |
| TOTAL, 10% Reduction Options | | | \$4,388,504 | \$4,388,504 | 8.0 | \$0 | | | |